

PROJECT OVERSIGHT REPORT

Medicaid Management Information System (MMIS)
Department of Social and Health Services (DSHS)

Report as of Date:
June 2004

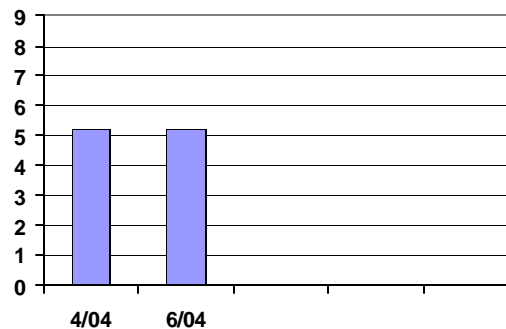
Project Manager: John Anderson
Project Director: Heidi Robbins Brown
Executive Sponsor: Doug Porter

MOSTD Staff: Tom Parma

Severity/Risk Rating: High (high severity, high risk)

Oversight: Level 3 – ISB

Overall Project Risk Assessment



Staff Recommendations: ISB oversight staff has no recommendations at this time.

Report Synopsis: DSHS released the Medicaid Management Information System (MMIS) Reprocurement RFP on June 14, 2004, two weeks ahead of schedule. DSHS received early approval for the RFP from the Federal Centers for Medicare and Medicaid Services (CMS).

Issues/Risks:

- Schedule:
 - Overall: This project is operating under a constrained schedule imposed by CMS. DSHS requested a 36-month implementation that would have extended the schedule until 12/07 and provided 6-12 months of schedule contingency. Although the ISB granted this extension, CMS did not, and is currently holding DSHS to a 12/06 implementation schedule, thus eliminating most if not all of the proposed schedule contingency. If DSHS is unable to meet the 12/06 deadline and CMS refuses to extend the schedule, DSHS will be faced with a budget shortfall.
 - Acquisition: The original plan shows an RFP release date of 7/1, receive responses by 9/1, and complete evaluations and demonstrations by 10/1 followed by a 6-week contract negotiation period. The revised plan, based upon the June 14 RFP release date, shows that responses will be received by 8/16 with evaluations and demonstrations complete and announcement of an apparently successful vendor on 9/28. Additional time was allowed during evaluations to perform a finalists selection and to allow more time for finalists to demonstrate their systems
 - Protests: There is no contingency built into the schedule for protests.
- Budget/Cost: DSHS must submit its budget decision package to the legislature prior to receiving bid responses. Based on the apparently successful vendor's proposal, DSHS may have to amend their budget request after the start of session.
- Scope: Although the requirements of the traditional core MMIS providers are known, there are opportunities to include the requirements to support other less-traditional MMIS service providers in the scope. Some of these decisions could also impact other administrations

within DSHS. To address this, the DSHS Enterprise Architecture framework is being used as a tool to aid the project in making scope decisions. In addition, DSHS' Medicaid program relies heavily on the Social Services Payment Systems (SSPS). SSPS supports payment types that are atypical for an MMIS system and may not be easily replaced by existing solutions. The March 2004 QA report notes this risk and recommends that DSHS finalize the scope as soon as possible (Recommendation #4).

This recommendation states, "The department should finalize the MMIS scope and determine how certain services that do not fit neatly within the MMIS should be managed from a department-wide perspective."

- Resources: DSHS continues to add additional staff to the project as needed.
- Project Management/Processes: There are no significant issues/risks to report.
- Other
 - Technology Architecture: The two vendors with the largest installed base of CMS certified MMIS systems are typically based on older, less flexible technologies. Several vendors have newly architected, less mature systems that may not meet all of Washington's requirements or may not yet be CMS certified. DSHS has addressed this risk by developing agreed upon criteria for minimum qualifications based upon the department's risk tolerance threshold. This addresses the QA vendor's recommendation #5 from the March 2004 QA report.
 - Interfaces: MMIS interfaces with approximately 80 systems. DSHS has also initiated a subproject to deal with the modifications that will be required for DSHS' Automated Client Eligibility System (ACES).
 - Broad Stakeholder Group: Based partly on the Enterprise Architecture framework, other administrations within DSHS are trying to determine if their requirements can be met with the new MMIS (see Scope above). Finalizing requirements across these multiple stakeholder groups adds more risk to the project both in terms of scope and pressure on the schedule. One way DSHS has chosen to mitigate this risk is to phase in the non-core MMIS functions in later releases.
 - Market Conditions: Within the next 18 months approximately 17 other states are planning to release RFPs to replace their MMIS systems. DSHS is concerned that the vendors will prefer states where they have a greater chance of success and the opportunity for increased business/profits. By releasing the RFP early, DSHS has moved ahead of some other states, thereby reducing the competition for limited vendor resources.
 - Vendor Insolvency: There may be a period of acquisitions and mergers over the next few years or vendors may become insolvent. In the case of MMIS, DSHS owns the code. In the event that the vendor cannot continue to support the system, DSHS could acquire the hardware to run it themselves but would still have to contract or hire additional programming staff.
 - Staff Readiness: A new MMIS will entail significant changes throughout DSHS. The agency must ensure that the users understand how their job functions will change with a new system. This risk will have to be watched closely during this project. The March 2004 QA report notes this risk and recommends that DSHS develop a "human change management" plan (Recommendation #6). This recommendation states, "The

department should embark on a human change management strategy to ensure staff are informed about the extent of changes to be implemented and how the department is managing these potential changes.”

Implementation of a formal change management strategy has been delayed due to higher priority tasks. However, steps have been initiated to mitigate this risk by raising the issue with project stakeholders. For example, the Executive Steering Committee and Cross Administration Team have been briefed on the need for a business change management strategy. Project business analysts are currently meeting with each program to understand and document current business rules, workflows and roles/responsibilities in preparation for defining future business rules, workflows and roles/responsibilities once the new system capabilities are known. Education efforts have also been initiated to familiarize staff with planned system enhancements and likely changes with the new MMIS.

Status:

- Life Cycle Stage: The project is in the procurement phase. This phase is scheduled for completion by January 18, 2005.
- Schedule:

Milestones / Phases	Baseline Start	Actual Start	Baseline Finish	Actual Finish
Requirements Analysis	9/03	9/03	2/04	2/04
RFP Release/Vendor Selection	7/1/04	6/14/04	10/1/2004	
Negotiate Contract	10/1/04		1/18/05	
Infrastructure Upgrade	7/04		12/06	
Design	1/18/05		9/15/05	
Development	9/15/05		5/19/06	
Testing	5/15/06		12/30/06	
<ul style="list-style-type: none"> • Phase 1: replace existing MMIS • Phase 2: migrate remaining Medicaid payments • Phase 3: migrate selected non-Medicaid payments 			12/30/06 12/30/07 12/30/08	
Certification	12/30/06		12/30/07	
Maintenance and Operations	1/1/07		12/30/2012	
Next Procurement	12/30/2012			

- Budget/Cost:

Milestone / Phases	Baseline (a)	Revised Baseline	Actual & Accrued to Date (b)	Estimate to Complete (c)	Estimate at Completion (d=b+c)	Variance (d-a)
Requirements Analysis	2.5M					
Acquisition	2.7M					
Infrastructure Upgrade	3.5M					
Design	17.0M					
Development	17.0M					
Testing	17.0M					
Implementation	7.0M					
Certification	5.0M					
Subtotal: Design, Development, Implementation	71.7M					
Maintenance and Operations	87.6M					
Project Totals	158.3M					

Technology: The proposed technology will be determined based on the successful vendor's proposal.

Phases: The MMIS project is being managed in three phases:

Phase 1: DSHS will implement the Medicaid transactions that are supported by the current MMIS. This first set of functionality supports the base requirements of the Washington Medicaid Program. The Phase 1 implementation is scheduled to be complete by 12/30/06 when the current MMIS contract expires. In addition to supporting current MMIS payments, DSHS expects that substantial improvements to the current operation will be realized. Once this milestone is reached and the system has been fully operational for six (6) months, DSHS will request formal CMS certification of the MMIS and secure the maximum federal matching funds for the operation of the MMIS.

Phase 2: DSHS will incrementally implement Medicaid programs that today are not supported by the current MMIS. Remaining Medicaid programs will be migrated to the modern MMIS from 12/30/06 to 12/30/07. These programs include for example, the COPES Nursing Services program, the Behavioral Rehabilitation Services program, and others.

Phase 3: Finally, non-Medicaid programs such as the Home Chore Services program and other programs will be implemented from 12/30/07 to 12/30/08.

Background Information

Description: Washington's MMIS is a 1970's legacy system comprised of over 1400 programs and 3,000,000 lines of COBOL code. As with most of these systems, it is a VSAM flat file application that relies on extensive hard coded program logic. It was designed to support a single benefit, fee for service Medicaid program. Even routine policy and maintenance updates require program changes and modifications to the data structure requires, at a minimum, recompiling numerous programs followed by significant regression testing.

The Washington MMIS contract was awarded to Consultec Inc. (now ACS State Healthcare) in 1982; Washington had imported an MMIS system implemented in Iowa in the late 1970s. Washington's MMIS became operational in 1983. Following a competitive procurement process in 1989, the contract was again awarded to ACS.

The system is a CMS certified MMIS with the six subsystems required by the State Medicaid Manual. Added functionalities include: a pharmacy point of sale (POS) system for processing drug claims and a decision support system (DSS) to support ad hoc reporting, MARS (Management and Administrative Reporting System (decision support)) and SURS (Surveillance and Utilization Review Subsystem (fraud)) reporting, and the Payment Review Program.

The MMIS processes over 24 million claims annually and pays over \$3 billion to participating Medicaid providers. The principal transactions are fee for service claims, over 85% of which are submitted electronically, and capitation payments to managed care plans on behalf of enrolled Medicaid clients.

Major improvements/enhancements to the system since 1989 include:

- 1991 Drug rebate subsystem implemented
- 1993 Primary Care Options Program (PCOP) implemented to support MAA's focus on maximizing managed care for Medicaid clients
- 1996 Pharmacy point of sale (POS) system implemented
- 1999 Access to the MMIS migrated from IBM 3270 terminals to the MAA LAN. A computer output to laser disc (COLD) system installed for electronic storage and retrieval of standardized MMIS reports
- 2000 DSS implemented
- 2001 OMNITRACK call management system implemented
- 2002 PRISM pharmacy benefit management program implemented